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CENTRAL INTELLIGENCE AGENCY

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22 November 1948

INTELLIGENCE MEMORANDUM NO. 86

SUBJECT: Receipt of Non-Licensed US Equipment through Other Countries

Following is an excellent sample of reliable reports CIA is receiving on diversion routes for imports of strategic commodities. Routes particularly mentioned in this report are confirmed by other sources. Report is forwarded in toto for information. Comment would be appreciated if such, or modified, spontaneous reports are valuable to recipients. (The blanks parenthesized signify a US equipment manufacturing company.)

"I understand source is shortly returning to the US...but I think it might be of interest to pass on some of his remarks. First he mentioned the desire of the Czechs for two IIS equipments, and their willingness to pay 10% in US dollars and 90% in Canadian dollars. Of course he understands the difficulty of obtaining the export license, and was hopeful that perhaps assistance in this connection might be obtained from ICAO and PANAM. He also points out that much US equipment exported to foreign countries is finding its way into USSR satellite areas, notwithstanding the restrictions of the export license. In particular he mentioned traffic via Venezuela and Mexico, and also via Holland and Belgium. Moreover, he says that International Standard Electric (IT&T) is negotiating for the IIS contract, and if the United States will not allow delivery the equipment will be obtained from the UK without difficulty.

"Source quoted as another example of peculiarities that Halli-crafter 110 MC/S receivers are allowed an export license to Czechoslovakia.

"In reply to my query as to where the majority of tubes come from, he said largely from war surplus stocks (all makes) and some from Mullard and Tungarum, and Sylvania - receiving tubes can be exported from the US, but not transmitting tubes.

"He said Philips now have a license agreement with Tesla for fluorescent and incandescent lamps, but that Tesla are anxious to complete the proposed agreement with [---] for receiving tubes, and that they have accepted the draft proposal except

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for a shorter term of three years. Source said that he was taking the agreement to New York and hoped that it would be possible to conclude the agreement. Tesla is badly in need of technical aid, as their present BXXX tube production is resulting in something like 50% shrinkage.

"Source confirmed that Brown Boveri had secured the contract for a microwave communications system for Czechoslovakia, and said that it was partly because of the fact that in their proposal there were fewer relay points at much greater spacing than in the [] scheme put forward.

"He also referred to an enquiry from Switzerland, not from an [] distributor, which had come to the attention of his brother, for goods intended ultimately for Czechoslovakia; and he knew of at least one case where [] equipment was shipped in this way."

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